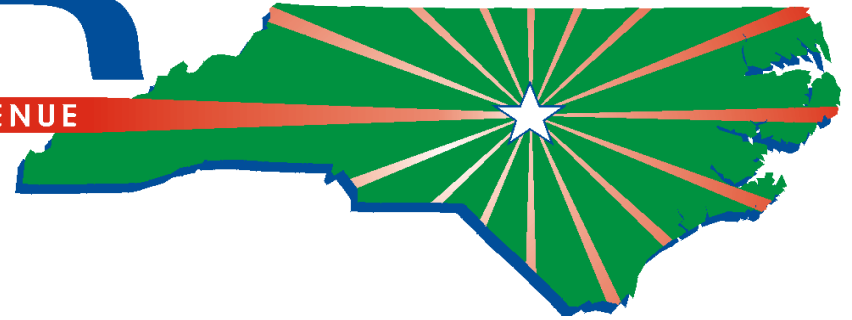


NORTH CAROLINA

NC DOR

DEPARTMENT OF REVENUE



Revenue Laws Study Committee

Eric K. Wayne, Sales & Use Tax Director
October 8, 2013



Headline Items



Browser address bar: www.dornc.com/index.html

Navigation menu: About Us | What's New | Electronic Services | Tax Forms | Search

North Carolina Department of Revenue

Headlines

- NCDOR Website Gets a Facelift
- Sales and Use Tax Law Changes
- N.C. Launches "Tag and Tax Together" Initiative
- Service Charge on Prepaid Wireless Telecommunications Service Goes into Effect July 1
- State Launches Second Program to Help Small Businesses

Quick Links

- Tax Information
- Armed Forces
- Hot Topics
- Resolving Tax Disputes
- Property Auctions
- Reports and Statistics
- Collections – Past Due Taxes
- Taxpayer Self-Help
- Understanding Your Notice
- Tax Seminars
- Identity Theft
- Careers

Due to heavy call volumes, you may experience busy signals especially on Mondays. Please try later in the week or any weekday between 5:00 - 6:00 p.m.

Information for Individuals

Information for Businesses

Information for Tax Professionals

Information for Local Government

Electronic Services

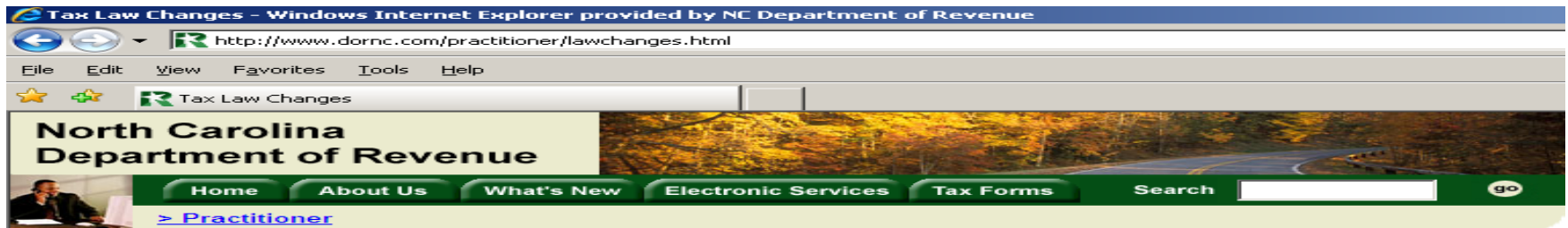
- File Your Individual Income Tax Electronically:** 
- Where's My Refund?** - Check the status of your current year income tax refund
- Electronic Services for Individuals and Businesses** - File returns and pay taxes online
- E-Alerts** - Join our email list

Contact Us

- By Phone
- By Mail
- Report Tax Fraud
- Web Site Survey
- Web Site Suggestions

Footer: Site Map | Español | Links | Privacy Policy | Disclaimer | NC Gov Web Site | RSS Feeds

Annual Legislative Publication



Tax Law Changes

- ◆ [2012 North Carolina Tax Law Changes](#)
- ◆ [2011 North Carolina Tax Law Changes](#)
- ◆ [2010 North Carolina Tax Law Changes](#)
- ◆ [2009 North Carolina Tax Law Changes](#)
- ◆ [2008 North Carolina Tax Law Changes](#)
- ◆ [2007 North Carolina Tax Law Changes](#)
- ◆ [2006 North Carolina Tax Law Changes](#) (360K)
- ◆ [2005 North Carolina Tax Law Changes](#) (172K)
- ◆ [2004 North Carolina Tax Law Changes](#) (279K)
- ◆ [2003 Extra Session North Carolina Tax Law Changes](#) (23K)
- ◆ [2003 North Carolina Tax Law Changes](#) (91K)
- ◆ [2002 North Carolina Tax Law Changes](#) (375K)
- ◆ [2001 North Carolina Tax Law Changes](#) (322K)
- ◆ [2000 North Carolina Tax Law Changes](#)
- ◆ [1999 North Carolina Tax Law Changes](#)
- [Frequently Asked Questions about Downloading Tax Publications](#)

Last modified on: 10/09/12 02:55:42 PM.

Form, E-505

Form E-505 (9-13)



Sales and Use Tax Division
North Carolina Department of Revenue
Post Office Box 25000
Raleigh, North Carolina 27640-0001

To Taxpayers:

This form includes changes enacted by the 2013 Session of the General Assembly to the taxes administered by the Sales and Use Tax Division. The 2013 Tax Law Changes publication issued annually by the Department will be available on the Department's website, www.dornc.com, and will contain detailed explanations of legislative changes. Legislative changes supersede any information previously set forth in Sales and Use Tax Administrative Rules, Technical Bulletins, Notices, Directives, and Private Letter Rulings relating to any subject matter of the legislation.

Part I reflects information regarding changes in sales and use tax rates to various items. Part II includes new transactions subject to sales and use tax as a result of tax modernization efforts. Part III provides information for various sales and use tax exemptions repealed by the General Assembly and various other changes. Part IV provides information regarding miscellaneous items.

The general State, local and transit sales and use tax rates applicable to the sales price of tangible personal property, certain digital products, and certain services is 6.75% in seventy-four (74) counties; 7.00% in Alexander, Buncombe, Cabarrus, Catawba, Cumberland, Duplin, Edgecombe, Greene, Halifax, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry, and Wilkes Counties; 7.25% in Mecklenburg County; and 7.50% in Durham and Orange Counties.

PART I: RATE CHANGES

Effective January 1, 2014

Manufactured Homes - G.S. 105-164.4(a)(1a) is amended and provides the 4.75% general State rate of tax applies to the sales price of each manufactured home sold at retail, including all accessories attached to the manufactured home when it is delivered to the purchaser. Prior to January 1, 2014, retail sales of manufactured homes and attached accessories are subject to the 2.00% State tax rate with a maximum tax of \$300 per article. G.S. 105-467(a) is rewritten and provides that the sale of a manufactured home is not subject to local and transit sales and use taxes.

Modular Homes - G.S. 105-164.4(a)(8) is amended and provides the 4.75% general State rate of tax applies to the sales price of each modular home sold at retail, including all accessories attached to the modular home when it is delivered to the purchaser. Prior to January 1, 2014, retail sales of modular homes and attached accessories are subject to the 2.50% State tax rate. G.S. 105-467(a) is rewritten and provides that the sale of a modular home is not subject to local and transit sales and use taxes.

Effective July 1, 2014

Electricity - G.S. 105-164.4(a)(9) imposes a privilege tax on a retailer at the combined general rate of tax of 7.00% on the gross receipts derived from sales of electricity billed on or after July 1, 2014. Some statutory exemptions per G.S. 105-164.13 may apply. The 2.83% tax rate in G.S. 105-164.4(a)(1f) applicable to the sales price of electricity sold to a commercial laundry or to a pressing and dry-cleaning establishment is repealed. The 3.00% tax rate in G.S. 105-164.4(a)(4a) applicable to the gross receipts derived from sales of electricity is repealed. The combined general rate of tax due on gross receipts derived from sales of electricity billed on or after July 1, 2014, is to be reported on Form E-500E, Utility and Liquor Sales and Use Tax Return.

Piped Natural Gas - G.S. 105-164.4(a)(9) imposes a privilege tax on a retailer at the combined general rate of tax of 7.00% on the gross receipts derived from sales of piped natural gas billed on or after July 1, 2014. Some statutory exemptions per G.S. 105-164.13 may apply. The exemption from sales and use tax for the sale at retail and the use, storage, or consumption in this State of piped natural gas in G.S. 105-164.13(44) is repealed as of July 1, 2014. Prior to July 1, 2014, an excise tax is imposed on piped natural gas received for consumption in this State pursuant to G.S. 105-187.41. The combined general rate of tax due on gross receipts derived from sales of piped natural gas billed on or after July 1, 2014, is to be reported on a special form to be created by the Department and made available prior to July 2014.



*Expansion & Exemptions
Effective January 1, 2014*

Tax Modernization Expansion - Manufactured Homes & Modular Homes

- North Carolina Manufactured and Modular Homebuilders Association Meeting (Scheduling)
- Form, E-500, Sales and Use Tax Return



Form E-500, Reverse (10/13-09/14)

E-500
Reverse



1. NC Gross Receipts (Do not include tax collected)		2. Sales for Resale (Do not include on Line 3)		3. Receipts Exempt From State Tax	
<input type="text"/>		<input type="text"/>		<input type="text"/>	
	Purchases for Use	Receipts	Rate	Tax	
4. Gen. State Rate	<input type="text"/>	<input type="text"/>	x 4.75%	<input type="text"/>	
5. 3% State Rate	<input type="text"/>	<input type="text"/>	x 3%	<input type="text"/>	
6. Modular Homes 2.5% 10/1/13-12/31/13 4.75% Effective 1/1/14	<input type="text"/>	<input type="text"/>	x —%	<input type="text"/>	
7. Mfg. Homes 2% 10/1/13-12/31/13 4.75% Effective 1/1/14	<input type="text"/>	<input type="text"/>	x —%	<input type="text"/>	
8. 2% Food Rate	<input type="text"/>	<input type="text"/>	x 2%	<input type="text"/>	
9. 2% County Rate See Instructions	<input type="text"/>	<input type="text"/>	x 2%	<input type="text"/>	
10. 2.25% County Rate	<input type="text"/>	<input type="text"/>	x 2.25%	<input type="text"/>	
11. 0.5% Transit County Rate	<input type="text"/>	<input type="text"/>	x 0.5%	<input type="text"/>	
12. 0.25% Transit County Rate	<input type="text"/>	<input type="text"/>	x 0.25%	<input type="text"/>	

STATE COUNTY

University Dining – 1/1/2014

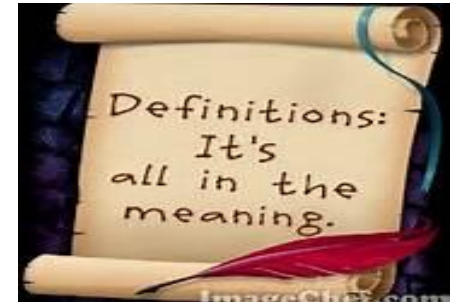
- Food and Prepared Meals “Served” in Dining Rooms - Institutions of Higher Education
- Repeal of an Exemption
- Sales Tax Not Imposed on Gross Receipts Derived from Prepaid Meal Plans



University Dining (Cont'd)

- **When is Sales tax Due on Food and Prepared Food in Conjunction with Prepaid Meal Plans?**
 - Time of Collection of Prepaid Funds?
 - Time a Meal is Claimed by a Student?
 - Time a Meal is Required to be Available for Student?
- **Other Questions!**
 - Restrictions on use of Declining Balance Funds?
 - Unused Funds in a Declining Balance?
 - Are the Third Party Operators or the Colleges/Universities the Retailers?

University Dining (Cont'd) – Statutory Definitions



■ **Retailer**

- Defined, in part, as a person engaged in the business of making sales at retail. . .

■ **Sale or Selling**

- Defined, in part, as the transfer for consideration of title or possession of tangible personal property . . .

■ **Retail Sale or Sale at Retail**

- The sale . . . other than for resale . . .

University & College Meals Plans!

■ **Key Question:**

- ❏ Does the sales tax apply to the total meal plan purchased for a semester or per individual transaction as the student uses the meal plan?



■ **NCDOR Response:**

- ❏ Self-Operated College or University Dining Facility
 - At the time of redemption of a meal credit for food or a prepared meal.
- ❏ Third Party Operated Dining Facility
 - Depends on the agreement between a third party operator and each college/university as to which party is the retailer.
 - Some contracts require the food and prepared food only to be available if the student elects to claim a meal.

Sales Price of Food and Prepared Food?



■ **Question:**

- ❖ Is the tax on food stuffs purchased for a meal, that is, on just the food component (not including labor and overhead and profit for a delivered meal plan or meal (singular))?

■ **NCDOR Response:**

- ❖ The sales price of a meal would include any charges for overhead, labor, and profit. The definition of “sales price” in N.C. Gen. Stat. § 105-164.3(37) includes “labor or service costs,” “any other expense of the retailer” and “charges by the retailer for any services necessary to complete the sale.”

Who is the Retailer?



■ **Question:**

- ❖ Is the institution or the food service provider responsible for collecting and remitting the tax?

■ **NCDOR Response:**

- ❖ The answer likely will depend on the specifics of each contract between an institution and a food service provider and the services to be performed or covered by a particular contract. N.C. Gen. Stat. § 105-164.4(a) imposes a "privilege tax . . . on a retailer." N.C. Gen. Stat. § 105-164.3(35) defines "retailer," in part, as "[a] person engaged in the business of . . . making sales at retail." N.C. Gen. Stat. § 105-164.3(34) defines "retail sale or sale at retail" as "[t]he sale . . . for any purpose other than for resale. . ."

Who is the Retailer? (Cont'd)

■ **Question:**

- Who currently collects sales tax on sales of food to non-students?



■ **NCDOR Response:**

- The answer as to who is the retailer may can be determined based on the person responsible for collection and remittance of sales tax on sales of food and prepared meals to persons that are not students. However, contracts with third parties may provide factual and accurate information.
 - Some contracts indicate the sale of prepared meals are purchased for resale by the universities & colleges

Sales Tax Collection – When?

■ Question:

- ❏ What is the timing of collecting the tax from the student/parent?



■ NCDOR Response:

- ❏ Tax is due at the time of the retail sale. A “sale” occurs at the time of “transfer for consideration of title” or “possession of tangible personal property.”

Nutritional Supplements Sold at Chiropractor's Office

- Letters:
 - North Carolina Chiropractic Association
 - North Carolina Board of Chiropractic Examiners

- Fall Convention Presentation:
 - October 4, 2013



Newspapers – 1/1/2014

- Newspaper Vending Machines
 - Coin Operated – 50%



